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IN THE
Supreme Court of the United States
OCTOBER TERM, 1992

PROFESSIONAL REAL ESTATE INVESTORS, INC.,
and KENNETH F. IRWIN,
Petitioners,

v.

COLUMBIA PICTURES INDUSTRIES, INC.,
EMBASSY PICTURES,
PARAMOUNT PICTURES CORPORATION,
TWENTIETH CENTURY-FOX FILM CORPORATION,
UNIVERSAL CITY STUDIOS, INC.,
WALT DISNEY PRODUCTIONS,
WARNER BROS., INC., and
CBS INC.,
Respondents.

**On Writ Of Certiorari To The United States Court of
Appeals For The Ninth Circuit**

PETITIONERS' BRIEF ON THE MERITS

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QUESTION PRESENTED

Whether the Ninth Circuit misconstrued the sham exception to the *Noerr-Pennington* doctrine by refusing to consider evidence that the lawsuit in question was pursued with indifference to its outcome, after it initially concluded that the lawsuit was not "baseless" as a matter of law?

PARTIES TO THE PROCEEDING

All of the parties to the proceeding below are set forth in the caption to this case. Pursuant to Rule 29.1 of the Rules of this Court, Petitioners state that Professional Real Estate Investors, Inc. has no wholly-owned subsidiaries and no parent corporation.

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PROFESSIONAL REAL ESTATE INVESTORS, INC.,
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PETITIONERS' BRIEF ON THE MERITS

OPINIONS BELOW

The opinion of the U.S. Court of Appeals for the
 Ninth Circuit was entered on September 24, 1991.
 The opinion is reported at 944 F.2d 1525 (9th Cir.

1991) and is reprinted in the Appendix to the Petition for a Writ of Certiorari ("Pet. App.") at 1a-19a. The Amended Summary Judgment of the United States District Court for the Central District of California was entered on April 9, 1990. The Amended Summary Judgment, which is unreported, is reprinted at Pet. App. 20a-22a. The Memorandum of Decision of the District Court is reported at 1990-91 Trade Cas. (CCH) ¶ 68,971 (C.D. Cal. 1990) and is reprinted at Pet. App. 23a-25a.

JURISDICTION

The judgment of the Ninth Circuit Court of Appeals was entered on September 24, 1991. The Petition for a Writ of Certiorari was filed on December 23, 1991 and granted on March 30, 1992. 118 L.Ed.2d 206 (U.S. Mar. 30, 1992) (No. 91-1043). This Court has jurisdiction to review the judgment of the Ninth Circuit Court of Appeals by writ of certiorari pursuant to 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

The federal statutory provisions involved in this case are Sections 1 and 2 of the Sherman Act, 15 U.S.C. §§ 1 and 2. They are set out verbatim at Pet. App. 51a. The state statutory provision involved in this case is Section 1 of the Cartwright Act, as codified at Cal. Bus. & Prof. Code §§ 16720, 16726 (West 1987). It is set out verbatim at Pet. App. 52a-53a.

STATEMENT OF THE CASE

A. The Parties and The Market

Petitioners Kenneth F. Irwin and Professional Real Estate Investors, Inc. ("Petitioners") are the propri-

etors of La Mancha Private Club and Villas, a small resort in Palm Springs, California. Pet. App. 4a-5a, 29a, 41a; Joint Appendix ("J.A.") 566; Declaration of Kenneth F. Irwin (Oct. 17, 1985) ("Irwin Declaration") at 1. La Mancha, an independent facility that has never been affiliated with a hotel or resort chain, is registered with the City of Palm Springs as a private club for tax and business licensing purposes. La Mancha is not a public accommodation under California law. Irwin Declaration at 1. Its grounds are not open to the general public; on the contrary, the entire resort is enclosed by gates. *Id.* at 2; J.A. 246, 252, 253. Non-members may, under limited circumstances, obtain temporary guest privileges at La Mancha, but the club reserves the right to refuse service to members of the general public. Irwin Declaration at 1.

In addition to operating La Mancha, Petitioners became distributors of RCA video disc players in the early 1980s. J.A. 254, 566. After installing video equipment in each of the La Mancha club villas, Pet. App. 5a; J.A. 566, Petitioners took steps to develop a market for the sale of similar RCA video disc players to hotels that wanted to offer their guests the option of private in-room viewing of recently-released motion pictures and other recorded entertainments.¹ J.A. 562-63, 566-67.

¹ Given its efforts to compete in this market and its confidence that the motion picture studios' position lacked merit, Petitioners did not contest (for purposes of the copyright case) that the La Mancha facility was the functional equivalent of a hotel. In other litigation, Respondents have admitted, through the same counsel that represented them in this action, that hotel rooms are private; i.e., not open to the public. See Defendants' Corrected First

Under Petitioners' innovative system at La Mancha, members rented popular films from a library of over 200 video discs that Irwin had purchased from RCA and viewed their selections in privacy on the video disc players installed in their villas. Pet. App. 29a, 44a. La Mancha members were also offered the option of purchasing video discs from La Mancha, in which case any preview or rental fees charged to them would be deducted from the purchase price.² Petitioners calculated that the capital investment required to provide this service was far less than the alternative—obtaining the wired cable technology offered by Respondents' licensee, Spectradyne, Inc.—and that Petitioners' system offered club members more choices. J.A. 567.

Respondents are eight major motion picture studios ("the Studios"). Pet. App. 29a, 41a. The Studios hold copyrights to motion pictures that are distributed—on video discs and by other means—to theatres, hotels, consumers (for rental or purchase), pay cable television, commercial broadcast television, and for domestic and foreign syndication. Pet. App. 41a.³

Cross-Appeal Brief at 29-30, filed Sept. 11, 1990, *Columbia Pictures Industries, Inc. et al. v. Professional Real Estate Investors, Inc. et al.*, 944 F.2d 1525 (9th Cir. 1991) (Nos. 90-55583, 90-55668, 90-55746) (hereinafter "Defendants' First Cross-Appeal Brief"); Appendix to Defendants' First Cross-Appeal Brief at 500-07. Yet when Respondents instituted the underlying copyright infringement action, they took a contrary position on the issue of privacy. J.A. 7, 9, 10, 11-12, 13, 14, 15-16, 17.

² Rental and resale of legitimate copies of a copyrighted video are protected by the first sale doctrine. See 17 U.S.C. § 109.

³ Without discovery, it is not possible to delineate the competitive relationships with precision from this record, but as

Thus, in the early 1980s, Petitioners were competitors of Respondents and of Spectradyne, Inc. in the markets for (1) the provision of in-room viewing equipment and motion picture entertainment services at hotels, including the large chains; and (2) the licensing of copyrighted motion pictures for viewing at La Mancha.

For approximately thirty years, since the earliest stages of congressional consideration of the current Copyright Act, Respondents have unsuccessfully attempted to persuade the U.S. Congress to expand the copyrights to their films to cover all rentals, including private performances of copyrighted works in hotel rooms. J.A. 259-60, 549, 557. However, for purposes of the Copyright Act, Congress has consistently concluded that hotel rooms are private, not public, areas. In fact, throughout the Copyright Act's legislative history, Congress refers to "private hotel rooms," and distinguishes these private areas from the common areas at hotels. See, e.g., House Comm. on the Ju-

reflected in the case law generated by the industry, Respondents generally seek to maximize the economic benefits to be derived from their copyrighted works by controlling the licensing of the works so as to create distinct, successive channels of distribution. Although the practice has varied somewhat over time and with the characteristics of particular works, generally, after first-run theatrical domestic exhibition, a motion picture may be released for sale or rental on video disc and cassette. Next, it may be released to a licensed distributor, such as Spectradyne, Inc., exclusively for exhibition in hotels. Next, it may be licensed to pay cable television and then to free or over-the-air commercially-supported broadcast television. Domestic syndication on broadcast television and foreign theatrical and foreign television distribution are also distinct channels of distribution. J.A. 219-20. See also, e.g., *United States v. Syufy Enter.*, 712 F. Supp. 1386, 1388 (N.D. Cal. 1989), *aff'd*, 903 F.2d 659 (9th Cir. 1990).

diciary, Copyright Law Revision, H.R. Rep. No. 1476, 94th Cong., 2d Sess. 79 (1976); House Comm. on the Judiciary, 89th Cong., 1st Sess., Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill 43 (Comm. Print 1965).⁴

Although Congress made it clear in the 1960s that it was unwilling to prohibit or limit the rental of recorded motion pictures for private viewing, in the early 1980s, shortly before they sued Petitioners (ostensibly for copyright infringement), Respondents attempted once again to persuade Congress to provide them with the right to control rentals for private viewing, including in-room viewing in hotel rooms. J.A. 260, 549, 557. Once again, Congress refused to grant their request. *Id.*

Respondents therefore took other steps to insulate from competition their control of the distribution of recorded video entertainment to the hotel trade through their licensee, Spectradyme, Inc. First, in the fall of 1982, after learning of the innovative video

⁴ In addition, in a 1961 report, the Register of Copyrights directly addressed Respondents' arguments regarding private viewing and rejected them. J.A. 259-260. See House Comm. on the Judiciary, 88th Cong., 2d Sess., Copyright Law Revision Part 3: Preliminary Draft for Revised U.S. Copyright Law and Discussions and Comments on the Draft 135-137, 253 (Comm. Print 1964) (Appendix to Defendants' First Cross-Appeal Brief at 581-85); House Comm. on the Judiciary, 87th Cong., 1st Sess., Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law 29-30 (Comm. Print 1961) (Appendix to Defendants' First Cross-Appeal Brief at 578-80).

disc rental service that Petitioners had introduced at La Mancha, Respondents sent Petitioners a threatening cease and desist letter, protesting that the service violated federal copyright law. Pet. App. 44a; J.A. 245. The letter warned that if Petitioners refused to discontinue their rental service, Respondents would take legal action. Pet. App. 44a. When Petitioners replied that they would not discontinue the service because it did not infringe the Respondents' copyrights, the Respondents made good on their previous threats and collectively sued Petitioners on April 25, 1983. Pet. App. 4a-5a, 29a, 44a; J.A. 3-31, 121.

Second, Respondents publicized the position adopted in their litigation in trade journal advertisements and articles in order to deter others, including the major hotel chains, from adopting the stand-alone equipment option that Petitioners had pioneered at La Mancha. J.A. 546. Despite their unsuccessful attempts to persuade Congress to modify the Copyright Act with respect to private viewing in hotel rooms, Respondents' trade journal advertisements asserted that in-room hotel viewing of their recorded and copyrighted motion pictures constituted public performances that infringed their copyrights. *Id.* The advertisements implied that any firm found to be providing such services would, like Petitioners, be sued for copyright infringement.

B. The Sham

Petitioners knew that having to endure the copyright litigation with Respondents would be harmful to their business, even if they ultimately prevailed. They knew that a coalition of the most prominent movie studios in the United States would be far better able to shoulder the burdens of the litigation than

they. Therefore, Petitioners offered to settle the dispute if Respondents would grant them a license to continue to offer the video disc rental service at La Mancha. Pet. App. 8a-9a; J.A. 121-22, 176, 183. Respondents refused to grant such a license. *Id.* Instead, they insisted upon litigating their copyright claim to the bitter end. Respondents' copyright litigation against Petitioners would take six years to resolve.

Petitioners were perplexed by Respondents' refusal to license them to continue offering the rental service at their club. Because they were also aware that (1) Congress had repeatedly rejected Respondents' arguments that hotel rooms are "public" areas for purposes of the Copyright Act; and (2) La Mancha was not a hotel, let alone a public place, Petitioners concluded that Respondents intended to remove them from the market in order to protect their preferred licensee, Spectradyne, Inc., from Petitioners' competition.

Accordingly, Petitioners answered Respondents' complaint, denying that they had violated the Copyright Act, and counterclaimed. Pet. App. 5a, 29a; J.A. 32-49, 545-46. The counterclaims asserted that (1) Respondents had each attempted to expand their copyrights through various acts, such as the use of overbroad copyright warnings, in violation of Section 2 of the Sherman Act and Section 1 of California's Cartwright Act; (2) Respondents' concerted refusal to grant Petitioners a license or settle the litigation constituted a conspiracy in violation of Section 1 of the Sherman Act and Section 1 of California's Cartwright Act; (3) the filing of the copyright lawsuit was itself illegal and an illegal act in furtherance of that con-

spiracy; and (4) the filing of the lawsuit was not protected under the *Noerr-Pennington* doctrine because it fell within the doctrine's sham exception. J.A. 36-45; Pet. App. 5a. Petitioners asked for a jury trial on the counterclaims. J.A. 49.

C. The Course of the Proceedings and Disposition Below

In support of the counterclaims, Petitioners sought to discover evidence regarding the alleged conspiracies and the intent with which the copyright lawsuit was being pursued. J.A. 76-89; Defendants' First Cross-Appeal Brief at 6. Respondents did not argue that Petitioners' counterclaim was insufficient to satisfy the standards of good faith pleading delineated in Fed. R. Civ. P. 11. Nor did they move to dismiss the counterclaim pursuant to Fed. R. Civ. P. 12(b)(6) on the theory that it failed to state a claim upon which relief could be granted. Instead, Respondents answered the counterclaim. J.A. 50-57. However, Respondents then objected on numerous grounds to each and every discovery request propounded by Petitioners. J.A. 63-93, 152-66, 457. As a result of Respondents' recalcitrance in refusing to provide discovery, Petitioners filed motions to compel discovery on two occasions. Pet. App. 5a; J.A. 58-93, 97-98; Defendants' First Cross-Appeal Brief at 7-8; Appendix to Defendants' First Cross-Appeal Brief at 45-200, 226-263.

The district court neither granted Petitioners' repeated motions to enforce their discovery requests nor sustained Respondents' objections. Instead, it postponed all discovery regarding the counterclaims pending resolution of the underlying copyright lawsuit. Pet. App. 5a. After the copyright suit and its appeal were resolved in Petitioners' favor, Petitioners again sought

to have the court enforce its counterclaim discovery. *Id.*⁵ Astonishingly, on March 1, 1990, the district court granted summary judgment on the merits against Petitioners without permitting any discovery regarding the counterclaims. Pet. App. 6a, 23a, 25a.

In a brief opinion, the district court observed that "the manner in which the case was presented" led the court to find that the "plaintiff was seeking and expecting a favorable judgment" and, on this basis, the court found further that "there was probable cause for bringing the action, regardless of whether the issue was considered a question of fact or of law." Pet. App. 24a. In response to Petitioners' objection that they had not been permitted to conduct any discovery regarding Respondents' intent in pursuing the copyright lawsuit, nor to gather any other evidence pertaining to the conspiracies that Petitioners alleged, the district court reasoned that discovery was unnecessary because intent was irrelevant. In the court's view, the *Noerr-Pennington* doctrine immunized Respondents regardless of the intent with which they

⁵ After the Ninth Circuit's mandate in the copyright action was lodged with the district court, J.A. 493-94 (see also Appendix to Defendants' First Cross-Appeal Brief 359-60), the district court entered a minute order reopening the case on Petitioners' antitrust counterclaims. J.A. 495-96. At a scheduling conference held on April 17, 1989, the district court noted that "the defendant and counter-claimant [Petitioners] is entitled to discovery to try to establish this lack of good faith [on the part of Respondents in filing and prosecuting the underlying copyright infringement action]" J.A. 511. See also J.A. 515, 520, 521. Petitioners and Respondents agreed on a discovery schedule which was set forth in the court's Scheduling Order of April 17, 1989, establishing a discovery cut-off date of February 28, 1990. J.A. 523-26.

pursued their copyright claim. Pet. App. 24a.⁶ Furthermore, distinguishing allegations of sham in other cases (on the grounds that here the court had the opportunity to observe the manner in which the case was prosecuted), the court, on the basis of its own observation alone, made a controlling determination as to whether Respondents' lawsuit fell within the sham exception. Pet. App. 24a-25a.

On appeal, Petitioners argued that the district court erred in its grant of summary judgment by denying them the opportunity to conduct discovery regarding all of their allegations of anticompetitive conduct, not merely the single allegation on which the district court had focused (i.e., that Respondents' copyright claims fell within the sham exception to the *Noerr-Pennington* doctrine). Pet. App. 7a; Defendants' First Cross-Appeal Brief at 16-26. Petitioners also argued that the district court erred by misconstruing this Court's teachings regarding the sham exception. Defendants' First Cross-Appeal Brief at 27-36.

The Ninth Circuit divided Petitioners' counterclaim allegations into two discrete issues: (1) whether Petitioners were entitled to discovery on their sham claim; and (2) whether Petitioners were entitled to discovery on their conspiracy and attempted monopolization claims. Pet. App. 7a. The Ninth Circuit further subdivided the latter claims, separating out Petitioners' allegations concerning the concerted re-

⁶ In denying discovery, the district court did not attempt to reconcile Respondents' prior legislative efforts (seeking revision of the copyright law to ensure that hotel rooms are considered public areas) and their position in other cases (that hotel rooms are private areas) with the position Respondents took in bringing their copyright claims against Petitioners.

fusal to license. Pet. App. 8a-9a. In fact, however, Petitioners' counterclaims pleaded both that the filing of the copyright suit was an unlawful conspiracy and that the filing was part of a larger conspiracy and attempt to monopolize, in part evidenced by the concerted refusal to license. J.A. 36-48.

Nevertheless, after separating Petitioners' allegations, the Ninth Circuit ruled that Petitioners were not entitled to discovery on their claims other than sham because they had failed to come forward with sufficient evidence of injury. Pet. App. 9a. Petitioners argued that they were unable to come forward with sufficient evidence because these facts were within Respondents' control and Petitioners had been denied discovery. The Ninth Circuit disagreed, ruling that Petitioners "did not need formal discovery procedures to establish resulting antitrust injury to the resort or to ascertain the basis for other hotels' rejection of Irwin's video system." Pet. App. 9a.

Petitioners also argued that, even without discovery, Petitioners had come forward with sufficient evidence regarding Respondents' concerted refusal to license Petitioners to withstand summary judgment. Defendants' First Cross-Appeal Brief at 26. The Ninth Circuit ruled that because this refusal arose in the context of settlement, it could not serve as an independent basis for liability, and its probative value would rise or fall with Petitioners' sham claim. Pet. App. 9a. The court did not explain why this and evidence of Petitioners' other claims could not also have probative value on Petitioners' broader claim that the Studios conspired through the filing of the suit and other means to prevent them from selling video disc systems to hotel chains.

Having thus disposed of all of Petitioners' other claims for want of sufficient evidence while simultaneously upholding the lower court's denial of Petitioners' requests for discovery, the Ninth Circuit then upheld the lower court's ruling that Petitioners were also not entitled to discovery on their sham claim, because the underlying copyright suit was "not baseless" as a matter of law. Pet. App. 15a-18a. The Ninth Circuit reasoned that baselessness was a prerequisite to invoking the sham exception, holding that:

[A]n antitrust plaintiff must make a two-part showing to support a finding of sham: (1) that the suit is baseless - a legal question; and (2) that the suit was brought as part of an anticompetitive plan external to the underlying litigation - a question of fact.

Pet. App. 15a-16a (citation omitted). As discussed below, in this the Ninth Circuit erred.

SUMMARY OF ARGUMENT

A lawsuit brought with indifference to its outcome falls within the sham exception to the *Noerr-Pennington* doctrine. Litigants pursuing sufficient and well-pleaded allegations of sham may not be denied discovery regarding their opponent's subjective intent—that is, whether their opponents were indifferent to the outcome of the lawsuit—on the grounds that the lawsuit was "not baseless" as a matter of law. Lawsuits that are "not baseless" may nevertheless fall within the sham exception where they are pursued with indifference to their outcome and for reasons such as directly to burden and harass a competitor and thereby unreasonably restrain competition. When a litigant's purposes are fully served as

a direct result of the prosecution of the lawsuit, as opposed to any outcome the court might direct, there is a sham.

In this case, the Ninth Circuit erred in holding that an antitrust plaintiff must, as a threshold prerequisite to obtaining any discovery, establish that a sham lawsuit is baseless as a matter of law or suffer dismissal of its claims. Petitioners are entitled to have their counterclaims reinstated and to pursue the discovery they sought, including that which the lower court compartmentalized and denied because of Petitioners' supposed failure to show injury or because it arose in the context of settlement, because pursuit of that discovery would be reasonably calculated to lead to admissible evidence of sham under the properly formulated standard of subjective intent.

ARGUMENT

A lawsuit brought with indifference to its outcome falls within the sham exception to the *Noerr-Pennington* doctrine. Indifference constitutes sham because when litigants are indifferent to the outcome, their purposes are fully served directly by initiating or prosecuting the lawsuit, rather than by any relief the court might order.

A. The Ninth Circuit's Holding in This Case is at Odds With The Opinions of This Court.

None of the policies underpinning the *Noerr-Pennington*⁷ doctrine requires or even suggests that

⁷ The *Noerr-Pennington* doctrine, derived from this Court's decisions in *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961) and *United Mine Workers of*

immunity from the Sherman Act is appropriate where antitrust conspirators seek to implement or further their conspiracy by burdening a competitor with the costs and other consequences of defending a lawsuit, and are indifferent to the relief ostensibly sought. This Court has consistently held that the constitutional right to petition a court (or an administrative agency, or a legislature) does not extend to the direct imposition of the burdens and other effects of the petitioning activity as an end in itself.

The constitutional basis for the doctrine depends on governmental action. If a party's subjective intent is indifferent to the government outcome and is focused instead on the direct results of its own private actions in the petitioning process, the party itself has rendered the Constitution and its protections irrelevant. Whether the underlying suit is baseless or "not baseless" as a matter of law, while perhaps relevant to

Am. v. Pennington, 381 U.S. 657 (1965), provides that "the federal antitrust laws . . . do not regulate the conduct of private individuals in seeking anticompetitive action from the government. . . . 'Noerr shields from the Sherman Act a concerted effort to influence public officials regardless of intent or purpose.' " *Columbia v. Omni Outdoor Advertising, Inc.*, 111 S.Ct. 1344, 1354 (1991) (quoting *Pennington*, 381 U.S. at 670).

This Court first extended the teachings of *Noerr* and *Pennington* to include concerted efforts to litigate in *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508 (1972), and also made explicit in that case the dictum in *Noerr* that efforts "ostensibly directed toward influencing governmental action . . . [that are] a mere sham to cover what is nothing more than an attempt to interfere directly with the business relationships of a competitor," *Noerr*, 365 U.S. at 144, are not outside the reach of the Sherman Act. *California Motor*, 404 U.S. at 516.

the ultimate question of a party's subjective intent, is not by itself controlling.

In *Noerr*, this Court observed that the legality of petitioning activity under the antitrust laws does not depend upon the petitioner's anticompetitive animus toward its opponent. *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 139 (1961). Correspondingly, in *United Mine Workers of Am. v. Pennington*, 381 U.S. 657 (1965), this Court held that petitioning activity genuinely intended to achieve a legislative result could not give rise to antitrust liability, even if the petitioning activity were part of a larger conspiracy. *Id.* at 670.

At the same time, this Court has always recognized that some petitioning conduct, "ostensibly directed toward influencing governmental action," *Noerr*, 365 U.S. at 144, may in fact be undertaken with indifference to that governmental action, seeking instead to use (and thereby to abuse) the governmental process as a means of inflicting injury directly on competitors.⁸ Private conduct of this nature, "a mere sham," *id.*, is not genuine governmental petitioning activity worthy of constitutional protection. It should instead be judged under the standards set forth in the Sherman Act.⁹

In distinguishing between protected and unprotected conduct, this Court has identified two different levels of intent: the intent to injure a competitor indirectly, by genuinely seeking a governmental out-

⁸ See, e.g., *Noerr*, 365 U.S. at 144; *California Motor Transport*, 404 U.S. at 511-15.

⁹ See, e.g., *Noerr*, 365 U.S. at 144; *California Motor Transport*, 404 U.S. at 515.

come or action contrary to the interests of the competitor (which is protected)¹⁰; and the intent to injure a competitor directly, as a result of imposing on it the costs and burdens that flow from forced participation in a governmental process (which is not protected). Building on this distinction, this Court has steadily crafted a body of law that (1) acknowledges the paramount role of subjective intent in determining whether a petitioner is genuinely interested in the governmental result ostensibly sought; and (2) recognizes the role of the trier of fact in evaluating and balancing various forms of evidence, subjective as well as objective, in order to determine a petitioner's intent.

In *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508 (1972), this Court held that petitioning activity that itself barred access to governmental processes by others and was brought "with or without probable cause, and regardless of the merits of the cases," *id.* at 512, was not entitled to constitutional protection. The Court noted that "a purpose or intent . . . 'to discourage and ultimately to prevent the respondents from invoking' the processes of the administrative agencies and courts . . . [would] fall within the [sham] exception to *Noerr*,"

¹⁰ See, e.g., *Noerr*, 365 U.S. at 139:

The right of the people to inform their representatives in government of their desires with respect to the passage or enforcement of laws cannot properly be made to depend upon their intent in doing so. It is neither unusual nor illegal for people to seek action on laws in the hope that they may bring about an advantage to themselves and a disadvantage to their competitors.

id. (quoting *id.* at 518 (Stewart and Brennan, JJ., concurring)). However, the Court could not determine what the evidence would show in that particular case because the complaint had been improperly dismissed for failure to state a claim. *Id.* at 515. On their face, the Court observed, the allegations of the complaint, taken as true for purposes of the motion to dismiss, fell within the sham exception. *Id.* at 515-16. Similarly, in *Otter Tail Power Co. v. United States*, 410 U.S. 366 (1973), this Court observed that "repetitive lawsuits carrying the hallmark of insubstantial claims," *id.* at 380, would fall within the sham exception where the purpose of the prosecution of the suits was "delaying and preventing the establishment of [competing] municipal electrical systems," *id.* at 379, a direct result of the delay inherent in litigation, and not the judgments of courts.

In *Vendo Co. v. Lektro-Vend Corp.*, 433 U.S. 623 (1977), this Court was called upon to determine whether Section 16 of the Clayton Act, 15 U.S.C. § 26, and the principles of sham litigation provided an exception to the Anti-Injunction Act, 28 U.S.C. § 2283, which otherwise prohibits a federal court's enjoining state court proceedings. While finding no exception to the anti-injunction statute, the opinions of the Court's plurality observed that repetitive sham litigation in the state courts could be a predicate to the enjoining of future proceedings, but not pending ones. *Id.* at 635 n.6 (Rehnquist, Stewart and Powell, JJ.), 644 and n.* (Blackmun, J., and Burger, C.J., concurring in the result).

An analogous reluctance to enjoin ongoing proceedings and, as a result, directly interfere with a party's constitutionally-protected right to access to

the courts, led the Court to conclude in *Bill Johnson's Restaurants, Inc. v. N.L.R.B.*, 461 U.S. 731 (1983), that a citizen's First Amendment right of access bars the NLRB from enjoining state court suits that are not legally baseless. *Id.* at 743-44.¹¹ Furthermore, the Court observed that the Constitution prevents the NLRB from usurping the fact-finding authority of the state court or jury with respect to whether a claim is a sham. Determining the impropriety of a suit was held to be a question of fact, rather than law. That question must be decided in the forum in which the question arises and by the trier of fact chosen by the parties.

When a suit presents genuine factual issues, the state plaintiff's First Amendment interest in petitioning the state court for redress of his grievance, his interest in having the factual dispute resolved by a jury, and the State's interest in protecting the health and welfare of its citizens, lead us to construe the [National Labor Relations] Act as not permitting the Board to usurp the traditional factfinding function of the state-court jury or judge.

Id. at 745.

In *Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492 (1988), the Court emphasized that *Noerr-Pennington* protection depends upon the context and nature of the restraint at issue, *id.* at 499,

¹¹ Lack of a reasonable basis is a prerequisite to an injunction, but that does not mean that a "not baseless" lawsuit cannot also be a sham where no injunction is sought and, therefore, no constitutional rights are in peril of being enjoined.

and that where, independent of any government action, an anticompetitive restraint results directly from private action, there is no immunity from the antitrust laws. *Id.* at 499-500 and n.4. Most recently, in *Columbia v. Omni Outdoor Advertising, Inc.*, 111 S.Ct. 1344 (1991), the Court reasoned that "[t]he 'sham' exception . . . encompasses situations in which persons use the governmental process—as opposed to the outcome of the process—as an anticompetitive weapon." *Id.* at 1354. The Court elaborated with respect to the two distinct levels of intent as follows:

A "sham" situation involves a defendant whose activities are "not genuinely aimed at procuring favorable government action" at all, not . . . [a defendant] "who 'genuinely seeks to achieve his governmental result, but does so through improper means' "

Id., quoting *Indian Head*, 486 U.S. at 500 n.4, 508 n.10 (respectively) (emphasis in *Indian Head*) (citations omitted).

In sum, at no point in its *Noerr-Pennington* jurisprudence has this Court held that a legal determination of baselessness is a predicate to finding that petitioning activity is a sham. Moreover, at no point has this Court held that a suit that is "not baseless" cannot, as a matter of law, also be a sham. Nor has this Court ever held that discovery can be denied with respect to the context and nature of the circumstances under which, and therefore the subjective intent with which, such a suit was brought.

B. Other Lower Courts Are At Odds With The Ninth Circuit.

The lower courts have differed significantly in their interpretations of the roles that objective legal base-

lessness and subjective intent play in sham analysis.¹² The Ninth Circuit in this case below and one panel

¹² Following this Court's *Noerr* decision in 1961, the federal courts have been "struggl[ing] to give specific meaning to the *Noerr-Pennington* doctrine's sham exception," with varying results. *Westmac, Inc., v. Smith*, 797 F.2d 313, 320 (6th Cir. 1986) (Merritt, J., dissenting), *cert. denied*, 479 U.S. 1035 (1987). As an organizational tool, it is useful to view the decisions of the various circuit courts as arrayed along a spectrum defined by the role which motive and intent play in determining sham. So organized, it becomes apparent that, with very few exceptions, the differences among the circuits reflect more the fact-specific nature of the inquiry than any theoretical disagreement with the principle that the ultimate objective of a *Noerr-Pennington* inquiry is a determination of the subjective intent of a petitioner.

At one extreme stands the decision of the Ninth Circuit in this case, holding that an objectively "not baseless" lawsuit can never be a sham, regardless of whether the litigant is indifferent to the outcome of the litigation. Pet. App. 12a. At the opposite extreme stand decisions of the Fifth (see, e.g., *In re Burlington Northern, Inc.*, 822 F.2d 518 (5th Cir. 1987), *cert. denied*, 484 U.S. 1007 (1988); *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358 (5th Cir. 1983)), Sixth (see, e.g., *Westmac*), and Seventh (see, e.g., *Premier Elec. Constr. Co. v. Nat'l Elec. Contractors Ass'n*, 814 F.2d 358 (7th Cir. 1987); *Winterland Concessions Co. v. Trela*, 735 F.2d 257 (7th Cir. 1984); *MCI Communications Corp. v. Am. Tel. & Tel. Co.*, 708 F.2d 1081 (7th Cir.), *cert. denied*, 464 U.S. 891 (1983); *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466 (7th Cir. 1982), *cert. denied*, 461 U.S. 958 (1983)) Circuits, which balance various objective and subjective criteria, in some cases raising presumptions and shifting burdens of proof based upon evidence deemed especially indicative of intent, all with the goal of determining a petitioner's interest or disinterest with the outcome of the governmental process.

Arrayed between these extremes are decisions of the Second (see, e.g., *Juster Assoc. v. Rutland*, 901 F.2d 266 (2d Cir. 1990); *Litton Systems, Inc. v. Am. Tel. & Tel. Co.*, 700 F.2d 785 (2d

of the Fourth Circuit (in the *Eden Hannon* case) are at one extreme end of the spectrum, holding that subjective intent is irrelevant unless a case is baseless as a matter of law, or at least unsuccessful.

At the other end of the spectrum are courts such as the Seventh Circuit, which has observed:

The line [between *Noerr-Pennington* - protected litigation and sham litigation] is crossed when . . . [a litigant's] purpose is not to win a favorable judgment against a competitor but to harass him, and deter others, by the process itself - regardless of outcome - of litigating.

Grip-Pak, Inc. v. Illinois Tool Works, Inc., 694 F.2d 466, 472 (7th Cir. 1982), *cert. denied*, 461 U.S. 958 (1983). In *Grip-Pak*, Judge Posner enumerated sev-

Cir. 1983), *cert. denied*, 464 U.S. 1073 (1984)), Third (see, e.g., *Columbia Pictures Indus., Inc. v. Redd Horne, Inc.*, 749 F.2d 154 (3d Cir. 1984)), Fourth (see, e.g., *Eden Hannon & Co. v. Sumitomo Trust & Banking Co.*, 914 F.2d 556 (4th Cir. 1990), *cert. denied*, 111 S.Ct. 1414 (1991); *Hosp. Bldg. Co. v. Trustees of Rex Hosp.*, 791 F.2d 288 (4th Cir. 1986)), Eighth (see, e.g., *South Dakota v. Kansas City S. Indus., Inc.*, 880 F.2d 40 (8th Cir. 1989), *cert. denied*, 493 U.S. 1023 (1990); *First Am. Title Co. of South Dakota v. South Dakota Land Title Ass'n*, 714 F.2d 1439 (8th Cir. 1983), *cert. denied*, 464 U.S. 1042 (1984); *Mark Aero, Inc. v. Trans World Airlines, Inc.*, 580 F.2d 288 (8th Cir. 1978)), Tenth (see, e.g., *Hydro-Tech Corp. v. Sunstrand Corp.*, 673 F.2d 1171 (10th Cir. 1982)), Eleventh (see, e.g., *St. Joseph's Hosp., Inc. v. Hosp. Corp. of Am.*, 795 F.2d 948 (11th Cir. 1986)), and District of Columbia (see, e.g., *Fed. Prescription Service, Inc. v. Am. Pharmaceutical Ass'n*, 663 F.2d 253 (D.C. Cir. 1981), *cert. denied*, 455 U.S. 928 (1982)) courts of appeal, with all but the Fourth and possibly the Tenth Circuits clustered close to the position defined by the Fifth, Sixth and Seventh Circuits.

eral factors that might motivate a litigant "to hurt a competitor not by getting a judgment against him, which would be a proper objective, but just by the maintenance of the suit, regardless of its outcome," *id.*, citing such possibilities as "us[ing] pretrial discovery to discover its competitor's trade secrets; or hop[ing] that the competitor would be required to make public disclosure of its potential liability in the suit and that this disclosure would increase the interest rate that the competitor had to pay for bank-financing; or . . . impos[ing] heavy legal costs on the competitor in the hope of deterring entry by other firms." *Id.*

This reasoning is to be distinguished from the superficially similar but nonetheless flawed approach of examining intent in terms of whether a plaintiff had a reasonable expectation of achieving a favorable ruling. As Judge Posner points out, even meritorious litigation, in which there might well be a reasonable expectation of achieving a favorable result, may nevertheless be brought for the improper purpose of invoking the machinery of the process to burden or harass, in violation of the antitrust laws. *Id.* The expected or reasonably foreseeable outcome of the litigation might be probative, but it should not be determinative, of the critical issue of the litigant's subjective intent in bringing the action. As the Fifth Circuit recognized in *Burlington Northern*:

[I]t is not dispositive that the ultimate relief will be beneficial to the petitioner and will serve his purposes. It must be shown that the desire for relief was a significant factor underlying the actual bringing and prosecu-

tion of the suit. This requires an examination of the litigant's intent.

* * *

[O]bjective reasonableness - as manifested by the court's grant of relief on the claim - should not protect a person who was not genuinely exercising his right to petition.

In re Burlington Northern, Inc., 822 F.2d 518, 528-29 (5th Cir. 1987), *cert. denied*, 484 U.S. 1007 (1988).

For the same reasons, a bright line test of intent that focuses on whether a litigation ultimately is won or lost, while superficially appealing, is similarly unavailing of the core concept of intent.¹³

The determinative inquiry is not whether the suit was won or lost, but whether it was significantly motivated by a genuine desire for judicial relief. Of course, the success of the claim presented is persuasive evidence that the litigant in fact wanted the relief. It is highly unlikely that a party with a meritorious claim will not be significantly motivated by a desire to obtain relief on that claim. . . . But reliance on the success of the earlier claim cannot substitute for proper consideration of any evidence the plaintiff might provide of the petitioner's motivation.

¹³ Moreover, even were such a bright line test to have been applied in this case, it would not have supported Respondents, who were unsuccessful in the underlying copyright litigation.

Id. at 528.¹⁴ In other words, what must ultimately be determinative is whether the plaintiff was indifferent to the possibility of even a favorable outcome and, instead, brought the litigation for another, improper purpose: to directly burden and harass a competitor.

C. A Mechanical Reliance on Purely Objective Criteria To Distinguish Sham Petitioning Would Permit Abusive Results.

Courts and antitrust commentators have highlighted the pitfalls of a rigid application of a purely objective standard for sham petitioning. The *Burlington Northern* court, for example, in rejecting the railroads' plea that successful lawsuits could never be sham petitioning, reasoned that courts should not be restricted in hearing evidence as to motive or intent simply on the basis of what one objective test might indicate as to a litigant's purpose.

We do not believe the difficulty of inquiring into intent justifies a different rule; if a plaintiff can adduce sufficient evidence to overcome the strong inference that persons with meritorious claims wish to obtain relief

¹⁴ See also Phillip E. Areeda & Herbert Hovenkamp, *Antitrust Law* ¶ 203.1d at p. 30 (Supp. 1991); Stephen Calkins, *Developments in Antitrust and the First Amendment: The Disaggregation of Noerr*, 57 *Antitrust L. J.* 327, 362 (1988) ("Even some of those who believe that success [on the merits of the underlying litigation] is an important consideration would let it erect only a strong presumption, and this seems the better view . . ."); James D. Hurwitz, *Abuse of Governmental Processes, the First Amendment, and the Boundaries of Noerr*, 74 *Geo. L. J.* 65, 108 (1985) ("It is appropriate to draw a strong, although rebuttable, presumption that petitioning efforts are not a sham if they succeed on the merits . . .").

upon them we believe he should prevail. We cannot endorse a rule that would require a court to blindly extend [Noerr-Pennington] protection in the face of evidence that the party was in fact not exercising the protected right to petition.

Id. at 529 n.8 (emphasis supplied).

Relying on objective reasonableness - the fact that a lawsuit raises a colorable claim - to determine whether petitioning conduct is deserving of *Noerr-Pennington* protection insulates from challenge under the antitrust laws a broad range of conduct that this Court never intended to protect. As Judge Posner noted in *Grip-Pak*:

If all nonmalicious litigation [i.e., "lawsuits raising colorable claims," *Westmac, Inc. v. Smith*, 797 F.2d 313, 320 (6th Cir. 1986) (Merritt, J., dissenting), *cert. denied*, 479 U.S. 1035 (1987)] were immunized from government regulation by the First Amendment, the tort of abuse of process would be unconstitutional - something that, so far as we know, no one believes. . . . If abuse of process is not constitutionally protected, no more should litigation that has an improper anticompetitive purpose be protected, even though the plaintiff has a colorable claim.

* * * *

The existence of a tort of abuse of process shows that it has long been thought that litigation could be used for improper purposes even when there is probable cause for the litigation; and if the improper purpose is to

use litigation as a tool for suppressing competition in its antitrust sense, it becomes a matter of antitrust concern.

Grip-Pak, 694 F.2d at 471-472 (citation omitted).

Conversely, a mechanically-applied objective standard may also operate to condemn as a sham some petitioning activity that should not be so labelled. For example, in the circumstance of an unsuccessful outcome, "subjecting innovative legal efforts to an objective standard - and permitting antitrust challenge with potential treble damage penalties against those that do not meet it - could forestall important sources of legal development. . . . Moreover, unsuccessful efforts in one governmental context may stimulate favorable responses in other contexts." Hurwitz, *supra* n.14 at 98.

Thus, no one evidentiary presumption - rebuttable or irrebuttable - should operate mechanically to withdraw from the trier of fact the determination of whether petitioning activity is genuine and within the confines of the First Amendment guarantee.¹⁵ Rather, the trier of fact should remain free to evaluate probative evidence going to the question of indifference. In the absence of direct evidence, various objective criteria may be useful in deducing whether the litigant was indifferent to the outcome; but no single fact or criterion should be determinative to the exclusion of other relevant facts.

¹⁵ Indeed, no single evidentiary presumption should be sufficient for determining whether the petitioning conduct is subject to constitutional protection. To hold otherwise would be to trivialize the importance of the constitutional guarantee.

As always in deciding questions of intent, the court [as trier of fact] considers all of the surrounding circumstances and assigns to each circumstance an appropriate weight, dependent upon the function and significance of each. . . . The distillation of all of the applicable factors in each case governs the decision as to true intent, whether it is to directly injure competitors rather than to influence governmental action.

Mark Aero, Inc. v. Trans World Airlines, Inc., 580 F.2d 288, 297 (8th Cir. 1978). See also *Westmac*, 797 F.2d at 318-19; *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358, 1371-72 and n.45 (5th Cir. 1983); Hurwitz, *supra* n.14 at 125-26. Courts have observed that "[d]etermining what efforts are not bona fide petitions to the government . . . is a difficult task," *Burlington Northern*, 822 F.2d at 528 (alteration in original) (quoting *Greenwood Utilities Comm'n v. Mississippi Power Co.*, 751 F.2d 1484, 1498 (5th Cir. 1985), "but no more so than in many other areas of antitrust law." *Grip-Pak*, 694 F.2d at 472. Thus, the opinions of lower courts readily demonstrate that the necessary inquiry is neither so formless nor so burdensome as to ensnare the trier of fact in a bottomless morass.¹⁶

D. The Ninth Circuit's Error in This Case.

In this case, Petitioners counterclaimed that their rivals had conspired to prevent Petitioners from of-

¹⁶ See, e.g., *Burlington Northern*, 822 F.2d at 527-29; *Westmac*, 797 F.2d at 318-20; *Hosp. Bldg. Co.*, 791 F.2d at 292-93; *MCI Communications*, 700 F.2d at 1155; *Coastal States*, 694 F.2d at 1371-73 and nn.45 & 46; *Mark Aero*, 580 F.2d at 297; Hurwitz, *supra* n.14 at 125-26.

fering an in-hotel room movie viewing service and related equipment that would compete with a service in which Respondents had an important financial interest. Petitioners contended that the filing of a burdensome and ultimately unsuccessful copyright lawsuit that would eventually take seven years to resolve,¹⁷ and which Respondents refused to settle, was itself illegal, and an act in furtherance of Respondents' conspiracy.¹⁸ In addition, Petitioners claimed that Respondents' refusal to license Petitioners; their filing or threatening to file similar copyright actions to intimidate potential customers of Petitioners; their entering into restrictive distribution agreements prohibiting the rental of videos except for "home use;" their utilizing copyright labels on their video cassettes that were misleading with respect to the "home use" only restrictions; and their publishing advertisements in hotel trade journals, warning hotels and similar accommodations not to use Respondents' copyrighted

¹⁷ Cf. *Boulware v. State of Nevada*, 1992-1 Trade Cas. (CCH) ¶ 69,771 at p. 67,540 (9th Cir. Mar. 27, 1992) ("This is not a case where the antitrust defendant could have used the lawsuit as a tool to impose costs and delay, to tarnish the reputation of a competitor, or to cripple its adversary's ability to obtain needed financing. Only by obtaining an injunction could NCSC have hoped to keep Boulware out of the market for a significant period of time. Supporting that conclusion is the fact that the suit was prosecuted expeditiously; only one month elapsed from the time NCSC intervened . . . until the plaintiffs obtained a preliminary injunction . . .").

¹⁸ Respondents brought this action only after repeated and explicit failure in each of their efforts to secure legislative relief on this issue, and after explicitly conceding (in other judicial proceedings on the same issue) that hotel rooms are not public areas for purposes of the copyright laws. See *supra* pp. 3-4 n.1, 5-6 & n.4.

materials in hotel guest rooms, were all acts constituting and in furtherance of the conspiracy, in violation of the Sherman Act. Pet. App. 7a-8a; J.A. 38, 546, 559-600.

Petitioners contend that, if Respondents were in fact indifferent to the outcome of their failed copyright case, however hard they may have appeared to fight once they finally decided to fight,¹⁹ and if in fact they had decided to bring it for the direct purpose of burdening Petitioners and deterring them and others from competing with Respondents - then the sham exception applies, and the alleged conspiracy to file and prosecute the case would not be immune from scrutiny under the Sherman Act. Whether Respondents' conduct constituted a violation of the Sherman Act is, of course, a separate question, the resolution of which must await appropriate discovery by all parties. What Petitioners seek but were denied below is the right to pursue discovery on their well-pleaded and sufficient antitrust claims.

The lower court's determination that Petitioners were not entitled to discovery on these issues, and its determination that, as a matter of law, there was no sham, deprives Petitioners of their right to have a factfinder, in this case a jury, make the findings of fact essential to a determination of the question

¹⁹ Hard-fought lawsuits, with pitched battles over such preliminary matters as making discovery available to adverse parties, will, perforce, take longer to resolve and will impose greater burdens than those more carefully calculated to reach a swift result. See *supra* n.17.

of sham.²⁰ Just as in *Bill Johnson's*, 461 U.S. at 744-46, where the NLRB usurped the function of the state court as trier of fact, so too did the district court in this action usurp the function of the jury as trier of fact, and thus deny Petitioners their right to choose a trier of fact, and to have that trier of fact evaluate the evidence and make its own determinations of fact. The district court here ruled:

The claim that the plaintiff set forth in its complaint was adjudicated by this court. It was clear from the manner in which the case was presented that the plaintiff was seeking and expecting a favorable judgment. . . . *I find that there was probable cause for bringing the action, regardless of whether the issue was considered a question of fact or of law.*

Pet. App. 24a (emphasis supplied).

Under the proper subjective intent standard, Petitioners' discovery should not be limited by the rigid compartmentalization of Petitioners' conspiracy allegations imposed by the Ninth Circuit in conjunction with its flawed approach to the sham issue. Pet. App. 8a-9a. Dealing with each of Petitioners' allegations seriatim and in isolation from one another violated a fundamental rule laid down by this Court in antitrust cases.

[P]laintiffs should be given the full benefit of their proof without tightly compartmentalizing the various factual components and wip-

²⁰ While Respondents did not attach a jury demand to their Complaint, J.A. 18-19, Petitioners in their Answer and Counterclaim did demand a trial by jury "of all issues triable of right by jury in the . . . action." J.A. 49.

ing the slate clean after scrutiny of each. "... [T]he character and effect of the conspiracy are not to be judged by dismembering it and viewing its separate parts, but only by looking at it as a whole...."

Continental Ore Co. v. Union Carbide & Carbon Corp., 370 U.S. 690, 699 (1962) (alteration in original) (quoting *American Tobacco Co. v. United States*, 147 F.2d 93, 106 (6th Cir. 1944), *aff'd*, 328 U.S. 781 (1946)).

Discovery of the reasons why Respondents would not settle the unsuccessful copyright action would be relevant to (or would likely lead to the discovery of admissible evidence on the issue of) whether they brought the lawsuit to grind down Petitioners and, by so doing, to make an example of them and deter other would-be competitors. Correspondingly, discovery of Respondents' views of the injuries they were inflicting on Petitioners, and of their ability and success in influencing the large hotel chains not to do business with Petitioners, would be relevant to (or would be reasonably calculated to lead to the discovery of admissible evidence regarding) Respondents' subjective intent in prosecuting the case. Discovery of the reasons why Respondents brought this action in a judicial forum, having lost the argument regarding the "public" or private nature of hotel rooms several times in the legislative arena (and having admitted in other litigation that an essential element of their proof was lacking) would also be relevant on the issue of intent.

Admittedly, this Court has emphasized the value of summary procedures in federal litigation,²¹ including

²¹ See, e.g., *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242

antitrust cases.²² In the context of a summary judgment coupled with a denial of discovery, however, the teaching of *Poller v. Columbia Broadcasting System, Inc.*, 368 U.S. 464 (1962) about the difficulty of dealing in a summary fashion with conflicting claims of motive and intent retains the force of simple, undeniable logic.

We believe that summary procedures should be used sparingly in complex antitrust litigation where motive and intent play leading roles, the proof is largely in the hands of the alleged conspirators, and hostile witnesses thicken the plot.

Id. at 473. More recently, this Court has stressed the need for antitrust plaintiffs to have the opportunity to take discovery on their claims prior to dismissal.

[I]n antitrust cases . . . dismissals prior to giving the plaintiff *ample opportunity for discovery* should be granted very sparingly. . . . [, creating what the Court acknowledged as a] concededly rigorous standard . . . [for the dismissal of antitrust actions].

(1986); *Celotex Corp. v. Catrett*, 477 U.S. 317 (1986).

In our view, the plain language of Rule 56(c) mandates the entry of summary judgment, *after adequate time for discovery* and upon motion, against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which the party will bear the burden of proof at trial.

Celotex, 477 U.S. at 322 (emphasis supplied).

²² See, e.g., *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 585-88 (1986).

Hosp. Bldg. Co. v. Trustees of Rex Hosp., 425 U.S. 738, 746 (1976) (citation to and quotation from *Poller* omitted) (emphasis supplied).²³

For the Ninth Circuit to hold both that Petitioners failed to come forward with sufficient evidence to withstand summary judgment and that they were not entitled to any discovery on well and sufficiently-pleaded counterclaims is so illogical that the simple recital of the point carries with it its own argument for rejection. The question was not whether "self-help" discovery methods might suffice, but rather whether Petitioners were entitled to the usual "formal discovery procedures" (Pet. App. 9a) accorded by the Federal Rules.

CONCLUSION

For all of the reasons set forth above, in the Petition for a Writ of Certiorari, and in Petitioners' Reply Brief, the decision of the Ninth Circuit should

²³ See also *Chipanno v. Champion Int'l Corp.*, 702 F.2d 827, 831 n.2 (9th Cir. 1983); *Energy Conservation, Inc. v. Heliodyne, Inc.*, 698 F.2d 386, 389 (9th Cir. 1983) ("Courts may properly be more critical in reviewing complaints which invoke the sham exception to the *Noerr-Pennington* doctrine since the conduct is presumptively protected by the first amendment, invoking here the right of access to the court. However, it is a question of fact in each instance whether an action is a genuine attempt to influence governmental action or is a mere sham.") (citation omitted); *Timberlane Lumber Co. v. Bank of America, N.T. & S.A.*, 549 F.2d 597, 602 (9th Cir. 1976) ("[W]e note that the Supreme Court has expressed disapproval of summary disposition in . . . 'complex antitrust litigation . . .'. . . Putting plaintiffs to the test in such cases without ample opportunity for discovery is particularly disfavored.") (quoting *Poller*, 368 U.S. at 473) (citation omitted).

be reversed and the matter remanded with instructions that the proper standard for evaluating claims of sham litigation involves subjective intent, a question of fact, not law, and that Petitioners are entitled to pursue the requested discovery on their well-pleaded federal and state law counterclaims.

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Respectfully submitted,

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